



Control Number: 47897



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**SOAH DOCKET NO. 473-18-3008.WS  
DOCKET NO. 47897**

APPLICATION OF FOREST GLEN	§	BEFORE THE
UTILITY COMPANY TO CHANGE	§	PUBLIC UTILITY COMMISSION
RATES	§	OF TEXAS

**FOREST GLEN UTILITY COMPANY'S RESPONSE TO DENNIS BROWN'S SECOND  
REQUEST FOR INFORMATION**

**TO DENNIS BROWN, 285 Barden Parkway, Castroville, Texas 78009.**

COMES NOW, Forest Glen Utility Company ("Applicant" or "FGU") and submits this Response to Intervenor Dennis Brown's Second Request for Information pursuant to Tex. R. Civ. P. 190 through 198 and 16 Tex. Admin. Code § 22.144 ("TAC"). Pursuant to 16 TAC § 22.144(c)(2)(F), these responses may be treated as if they were filed under oath.

Respectfully submitted,

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By: \_\_\_\_\_

Helen S. Gilbert

**ATTORNEYS FOR FOREST GLEN  
UTILITY COMPANY**

2018 AUG 21 PM 12:31  
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**CERTIFICATE OF SERVICE**

I hereby certify that I have or will serve a true and correct copy of the foregoing document via hand delivery, facsimile, electronic mail, overnight mail, U.S. mail, or Certified Mail Return Receipt Requested on all parties on the 21st of August 2018.

*Helen S. Gilbert*

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Helen S. Gilbert

**RESPONSE TO DENNIS BROWN'S SECOND REQUEST FOR INFORMATION TO  
FOREST GLEN UTILITY COMPANY**

**QUESTION NOS. 2-1 through 2-17**

**REQUEST FOR INFORMATION NO. 2-1:** Reference to Mr. Greenberg testimony, page 1, line 16: You stated that you have served as CEO for FGU since 2015. Based on this information, was FGU operating without a CEO prior to you? If yes, who was the prior CEO and what is his full name? If no, then can we assume that the lack of a CEO to run the Company is one of the reasons that we have arrived at this stage?

**RESPONSE:** The assumption is inaccurate. Harry Hausman has been the president of FGU since 2012 and remains so.

**REQUEST FOR INFORMATION NO. 2-2:** Reference to Mr. Greenberg testimony, pages 3, Lines 4, thru 6, You stated that in 2012, the company was bought by two shareholders, Hausman Holdings, LLC and Earl Holdings, LLC to serve the Potranco Ranch Subdivision. Does Hausman Holdings, LLC and Earl Holdings, LLC have any relationship to Harry Hausman and David Earl? Also, in 2015, lines 7-8, You stated that BVRT purchased a one-third ownership interest in FGU. Is BVRT receiving capital/revenue from the Homeowners in 320 Potranco Ranch Sub-Division as well?

**RESPONSE:** Yes, Harry Hausman and David Earl have relationships to the entities referenced. BVRT does not receive revenue from homeowners, FGU does.

**REQUEST FOR INFORMATION NO. 2-3:** Reference to Mr. Greenberg testimony, pages 3, lines 20 thru 22, You stated that using reclaimed water for irrigation not only furthers water conservation goals, but as a lower cost alternative to using potable water, it saves the ratepayers money. Using your analogy, would the same be said considering the proposed increase in sewer rate?

**RESPONSE:** No.

**REQUEST FOR INFORMATION NO. 2-4:** Reference to Mr. Greenberg testimony, page 5, lines 13 then 16, You stated No investments, revenues, or costs related to the PID are included in FGU's current rates or its application to change the rates. Based on the word (current) is there any plans in the future for FGU to receive investments, revenues, or costs relating to the PID?

**RESPONSE:** No.

**REQUEST FOR INFORMATION NO. 2-5:** Reference to Mr. Greenberg testimony, page 4, lines 5- 6 You stated that your reclaimed water is provided at a substantial discount (approximately 27%) from potable water otherwise sold by Yancey. We pay considerably more for reclaimed or reuse water than we do for Potable water. In layman's terms can you explain how you came to this figure?

**RESPONSE:** Please compare the rates for each service and you will see that in each usage category the rate for potable water is substantially more - approximately 54% - than reclaimed/reuse water. If a customer's overall amount for reclaimed/reuse water is more than

**for potable, that is because the customer is using more reclaimed/reuse water than potable water.**

**REQUEST FOR INFORMATION NO. 2-6:** Reference to Mr. Greenberg testimony, page 7, lines 15 - 16, You stated that your application seeks a modest rate increase of \$30 per month for a small wastewater system serving approximately 223 customers. First, where did you get your quote of 223 customers, and Secondly, how do you perceive that a \$30 increase per month is modest?

**RESPONSE:** There were 223 homes connected to the FGU sewer system at the time the application for rate increase was filed in December 2017; however, the number of connections as of June 27, 2018 had increased to 242. The increase is modest when looked at over time. FGU has kept rates below market and cost for over four years. This increase just brings rates up to near actual cost of service. FGU is not asking to be compensated for keeping the rates artificially low. However, FGU wants to move rates closer to covering costs and being reasonably profitable in accordance with PUC rules.

**REQUEST FOR INFORMATION NO. 2-7:** Reference to Mr. Greenberg testimony, page 7, lines 20 thru 24 You stated that you recognized that FGU would not be able to sustain itself at \$35 per month as the actual cost of service was over \$100 per month for the small number of customers at the time. In the very next sentence you stated that you recognized that as FGU's customer base grew, the cost per customer would eventually decrease. Please explain the inconsistency in your testimony? Will the cost per customer decrease or not?

**RESPONSE:** There is no inconsistency.

**REQUEST FOR INFORMATION NO. 2-8:** Reference to Mr. Greenberg testimony, page 9, lines 24 — 26 You stated that you prepared the wastewater rate design with assistance from our outside accountants, legal counsel and technical consultants. If I may ask, who was these outside sources?

**RESPONSE:** Please see Attachment 3-6 to FGU's Response to Commission Staff's Third Request for Information which includes invoices for individuals who have provided rate consulting, legal and accounting services to date.

**REQUEST FOR INFORMATION NO. 2-9:** Reference to Mr. Greenberg testimony, page 10, lines 5 - 6 You were asked what method or procedure did you use to project FGU's Cost of Service. On lines 7- 8, You stated you used the "Utility Method" as proscribed by the Commission in its Class B Rate/Tariff Change Application instructions. I am aware of the Cash Method, the Accrual Method and the seldom used Hybrid Method, but can you please explain again the Utility Method?

**RESPONSE:** Please see the Direct Testimony of Steven Greenberg, p. 10, lines 10-19. Under the utility method which is typically used for investor-owned-utilities ("IOUs") like FGU, a utility is allowed to recover operations and maintenance expense, return on rate base, and depreciation expense, but not debt service or cash capital outlays.

**REQUEST FOR INFORMATION NO. 2-10:** Reference to Mr. Greenberg testimony, page 11, lines 19 thru 22, You stated that there are not enough ratepayers to cover all of the cost elements and leave rates at a competitive and affordable level. When Forest Glen's customer base exceeds 315 customers, then the \$65 per month rate should cover FGU's costs. What guarantee do you have that

you will have a 315 customers base? Also, am I to understand that you are basing all of your cost and revenue analysis on the assumption that 315 customers might be living in Potranco Ranch Sub-division?

**RESPONSE: The understanding is incorrect and FGU has provided no guarantees. Based on the remaining number of lots that remain to be sold in Potranco Ranch Subdivision at this time, it is not unreasonable to estimate that the subdivision may exceed 315 as well as reach final buildout in the last quarter of 2019 or first quarter of 2020. But the date of final completion and total number of connections is not within the control of FGU.**

**REQUEST FOR INFORMATION NO. 2-11:** Reference to Mr. Greenberg testimony, page 7 lines 23 — 24 You stated you also recognized that as FGU's customer base grew, the cost per customer would eventually decrease. Then, on page 11, lines 23 thru 26, and page 12, lines 1-2, You stated "However, I do not want to leave the impression, as has been asked repeatedly by the Intervenor, that Forest Glen will leave its rates at \$65/mos. in perpetuity. Many elements in the cost of service and rate base may fluctuate well beyond the control of FGU such that at any given time the given monthly rate may be sufficient or lacking to cover the revenue requirement. Would you please explain exactly what you mean and which one of your statements are correct?

**RESPONSE: Both statements are correct.**

**REQUEST FOR INFORMATION NO. 2-12:** Reference to Mr. Greenberg testimony, page 15, lines 12 thru 13 You stated that in Potranco Ranch, the Developer paid for the wastewater lines in the street and then dedicated or contributed them to FGU upon completion. Because the Rate Base consists of the value of property as used by the utility in providing service. Is that a normal process for the Developer to pay for portions of a company's wastewater lines installations? Secondly, doesn't these contributions actual contributed positively to your Base Rate cost of service provided?

**RESPONSE: Yes, this is a normal and accepted practice in residential subdivision development.**

**REQUEST FOR INFORMATION NO. 2-13:** Reference to Mr. Greenberg testimony, page 18, lines 17 thru 20 You stated that as of December 31, 2016, your capital investment into the WWTP was \$557,611 and \$1,388,502 for wastewater lines. As of December 2017, you stated that your capital investment is significantly more than in 2016 — \$834,694 into the WWTP and \$2,259,700 for wastewater lines. What would have been your total capital investments for 2016 if you have included the wastewater lines in the street that the Developer paid for?

**RESPONSE: That was not a calculation made in the preparation of the application for rate increase nor relevant to FGU's request which is the basis of this rate appeal.**

**REQUEST FOR INFORMATION NO. 2-14:** Reference to Mr. Greenberg testimony, page 15, lines 11 — 13 You stated that another common area of confusion exists around (CIAC). In Potranco Ranch, the Developer paid for the wastewater lines in the street and then dedicated or contributed them to FGU upon completion. The cost of this infrastructure was not included in rate base. Then, on Page 20, lines 1 thru 4, You stated Developer CIAC amount represents the accumulation of all contributions to the system provided by developers to provide utility service. This amount represents

cost free capital and should be removed from rate base. Was the CIAC removed or should it have been removed from your Rate Base Revenue requirements?

**RESPONSE: The CIAC has never been included in the rate base.**

**REQUEST FOR INFORMATION NO. 2-15:** Reference to Mr. Greenberg testimony, page 20, lines 18 -19, You stated that all of FGU's wastewater lines are developer contributions. They are treated as per Commission rules and regulations in regard to Rate Base. I'm a little confused, did the Developer contributed just the street wastewater lines or all of the wastewater lines to FGU?

**RESPONSE: All wastewater lines were contributed by the developer.**

**REQUEST FOR INFORMATION NO. 2-16:** Reference to Mr. Greenberg testimony, page 23, lines 21 - 22, You stated "Yes to the question. On same page lines 23 thru 25 You also stated however, sometimes the Commission will impute a hypothetical capital structure to reflect a cost-efficient fair representation of a typical well-managed utility's capital structure. You became CEO of FGU in 2015, can you unequivocally say that FGU was a well-managed utility capital structure prior to your hiring?

**RESPONSE: Yes.**

**REQUEST FOR INFORMATION NO. 2-17:** Reference to Mr. Greenberg testimony, page 24, lines 19 — 20 You stated that FGU's capital plan includes improvements to the WWTP to meet the needs of the remaining 120 customers that will be coming online in 2019 and 2020. How do you know this and if so, why did you include the total number of customers in your initial projected Capital Revenue and Rate Base in 2012?

**RESPONSE: FGU is required to accommodate the capacity of the customers it reasonably believes it will have so that it may provide continuous and adequate service. The rules of the Texas Commission on Environmental Quality ("TCEQ") require that whenever flow measurements for a sewage treatment plant reach 75% of the permitted average daily or annual average flow for three consecutive months, a permittee must initiate an expansion to upgrade the facility. That is why FGU's capital plan includes improvements to its WWTP, beginning with an amendment to its Texas Pollutant Discharge Elimination System ("TPDES") permit – to accommodate customers who have come online since its last permit was issued in 2015 and those that it anticipates may connect to the system in the near future.**